

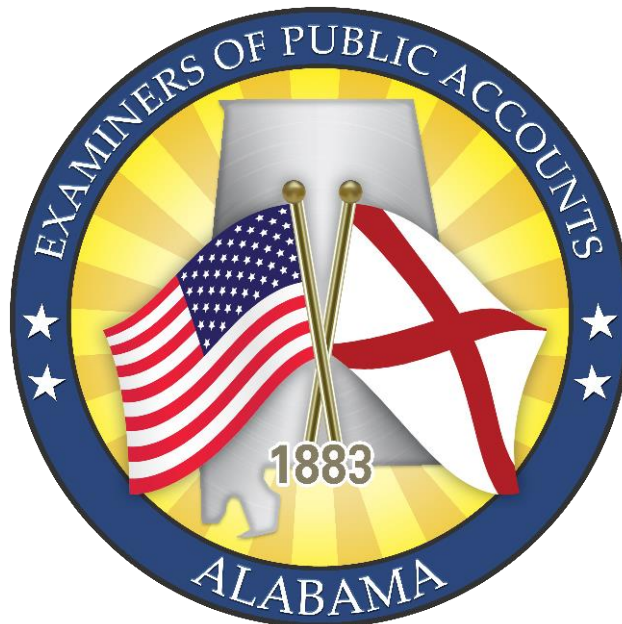
Report on the

Central Alabama Community College

Alexander City, Alabama

October 1, 2020 through September 30, 2021

Filed: June 17, 2022



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on Central Alabama Community College, Alexander City, Alabama, for the period October 1, 2020 through September 30, 2021. Under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Tom L. Tolley
Examiner of Public Accounts

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Table of Contents

	<i>Page</i>
Summary	A
Contains items pertaining to state and federal legal compliance, College operations and other matters.	
Schedule of State Compliance and Other Findings	C
Contains detailed information about findings pertaining to state legal compliance and other findings.	
Independent Auditor's Report	F
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).	
Management's Discussion and Analysis	J
Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the College introducing the basic financial statements and providing an analytical overview of the College's financial activities for the year. This information has not been audited, and no opinion is provided about the information.	
<u>Basic Financial Statements</u>	1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the College's financial position and results of operations in accordance with GAAP.	
Central Alabama Community College	
Exhibit #1 Statement of Net Position	2
Exhibit #2 Statement of Revenues, Expenses and Changes in Net Position	4
Exhibit #3 Statement of Cash Flows	5
Notes to the Financial Statements	7

Table of Contents

	<i>Page</i>
<u>Required Supplementary Information</u>	34
Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #4 Schedule of the College's Proportionate Share of the Collective Net Pension Liability	35
Exhibit #5 Schedule of the College's Contributions – Pension	36
Exhibit #6 Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees' Health Care Trust	37
Exhibit #7 Schedule of the College's Contributions Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees' Health Care Trust	38
Notes to Required Supplementary Information for Other Postemployment Benefits (OPEB)	39
<u>Supplementary Information</u>	41
Contains financial information and notes relative to federal financial assistance.	
Exhibit #8 Schedule of Expenditures of Federal Awards	42
Notes to the Schedule of Expenditures of Federal Awards	44
<u>Additional Information</u>	45
Provides basic information related to the College, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (<i>Uniform Guidance</i>) for federal compliance audits.	
Exhibit #9 College Officials – a listing of the College officials.	46

Table of Contents

Page

Exhibit #10	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the College complied with laws and regulations which could have a direct and material effect on the College’s financial statements.	47
Exhibit #11	Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> – a report on internal controls over compliance with requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to major federal programs and an opinion on whether the College complied with federal statutes, regulations, and terms and conditions of its federal awards which could have a direct and material effect on each major program.	49
Exhibit #12	Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by the <i>Uniform Guidance</i> .	52
Exhibit #13	Summary Schedule of Prior Audit Findings – a report, prepared by the management of the College, which provides the status of all audit findings included in the prior audit report’s Schedule of Findings and Questioned Costs as well as unresolved findings included in the prior audit report’s Summary Schedule of Prior Audit Findings.	54
Exhibit #14	Auditee Response – a response by the College on the results of the audit.	55



Department of **Examiners of Public Accounts**

SUMMARY

Central Alabama Community College October 1, 2020 through September 30, 2021

Central Alabama Community College (the “College”) provides general education at the freshman and sophomore levels leading to the Associate in Science degree that is designed to facilitate transfer to a senior college or university. Central Alabama Community College also provides the following Career and Technical Education (CTE) programs that prepare students for employment in occupational fields and lead to either an Associate in Applied Science degree or Associate in Occupational Technology degree. In addition, each CTE program offers stackable credentials in the form of certificates that students earn as they progress towards completion of their degree. CTE programs include Computer Information Systems; Industrial Electronics Technology (including specializations in Biomedical Technology and Electronics & Instrumentation, Motors and Controls); Automotive Manufacturing Technology (including specializations in Robotics and PLC Technology); Machine Shop (with a specialization in Computerized Numerical Control, as well as Tool and Die); Welding; Office Administration; Cosmetology; General Business; Drafting and Design Technology; Practical Nursing; Medical Assisting Technology; Associate Degree Nursing (including an LPN to RN Mobility Program). A currently inactive program is Heating and Air Conditioning.

Central Alabama Community College is a publicly supported institution in the Alabama Community College System. The College is under the direction and control of the Alabama Community College System Board of Trustees through the Chancellor of the Alabama Community College System Office.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the College complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the basic financial statements, which means the College’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2021.

AUDIT FINDINGS

An instance of noncompliance with state laws and regulations and other matters was found during the audit as shown on the Schedule of State Compliance and Other Findings and it is summarized below:

- ◆ 2021-001: The College removed capital assets from the general ledger and inventory records without adequate disposal documentation.

EXIT CONFERENCE

The following officials/employees were invited to an exit conference to discuss the results of this audit: Jeff Lynn, President; Lisa Sawyer, Dean of Financial Services and Jimmy Baker, Chancellor of the Alabama Community College System. The following individuals attended the exit conference: Jeff Lynn, President and Lisa Sawyer, Dean of Financial Services. The following individuals representing the Alabama Community College System attended by videoconference: Sara Calhoun, Chief Financial Officer; Billy Merrill, Deputy Chief Financial Officer; Julia Dennis, Accountant; Donna Boutwell, Director of Compliance; and Erika Doody, Financial Compliance Accountant. Representing the Department of Examiners of Public Accounts was Tom Tolley, Examiner. Mistie Beam, Audit Manager, attended by videoconference.

*Schedule of State Compliance
and Other Findings*

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2021

Ref. No.	Finding/Noncompliance
2021-001	<p><u>Finding:</u></p> <p>The Alabama Community College System Board's Policy 301.02: Accounting Procedures states, "The Fiscal Procedures Manual for the Alabama Community College System shall be used by all institutions."</p> <p>The Fiscal Procedures Manual, Capital Assets procedures section requires inventory records of capital assets to include the following components:</p> <ol style="list-style-type: none">1. Complete Description2. Manufacturer's Serial Number, if Applicable3. Acquisition Cost4. Date of Purchase5. Location6. Institution Property Control Number <p>The <i>Fiscal Procedures Manual</i> requires the College's property manager to immediately inform the chief financial officer and to contact law enforcement to file a report when college equipment is lost, stolen, or destroyed. Stolen equipment may be removed from inventory after a report has been filed with law enforcement. Any equipment that is removed from inventory must be supported by adequate documentation.</p> <p>Following inventory policies and procedures helps the College maintain accountability for property and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.</p> <p>During the fiscal year, the College removed 44 pieces of equipment from its inventory, with a total historical cost of \$981,066.40.</p> <p>A sample of eight assets were selected for testing to ensure adequate documentation of the items removed. The historical cost of the eight assets totaled \$228,859.11 and were fully depreciated. Audit tests revealed:</p> <ul style="list-style-type: none">✓ One asset was noted as lost, but a police report was not filed.✓ One asset had documentation with a hand-written note stating that the asset was loaded onto a trailer and taken to surplus. However, no receipt was included in the documentation to acknowledge the asset changed ownership.✓ Six assets were removed from the general ledger but were still on campus. These items were old and deemed as not in use but had only been transferred from one area of the College to another awaiting disposal.

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2021

Ref. No.	Finding/Noncompliance
	<p><u>Finding Continued:</u></p> <p>When assets are removed from the general ledger and inventory records, accountability for the assets is no longer in place, and it increases the possibility that assets can be taken without permission. Therefore, the College should keep assets on the general ledger and in inventory records if the asset is still in the custody of the College, so that the assets can be safeguarded by following policies and procedures.</p> <p><u>Recommendation</u></p> <p>In order to ensure that accountability is maintained for property, the College should comply with the Alabama Community College System's <i>Fiscal Procedures Manual</i> and should keep assets on the general ledger and in the inventory records until the disposal is adequately documented.</p>

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Independent Auditor's Report

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Jeff Lynn, President – Central Alabama Community College
Alexander City, Alabama 35010

Report on the Financial Statements

We have audited the accompanying financial statements of Central Alabama Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2021, and related notes to the financial statements which collectively comprise Central Alabama Community College's basic financial statements as listed in the table of contents as Exhibits 1 through 3.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Central Alabama Community College, as of September 30, 2021, and its changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the College's Proportionate Share of the Collective Net Pension Liability, the Schedule of the College's Contributions – Pension, the Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the College's Contributions – Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

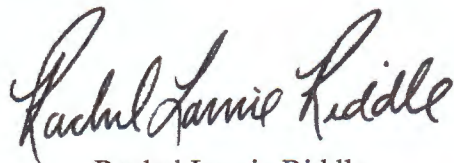
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Central Alabama Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 8) is presented for purposes of additional analysis as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*) and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated June 6, 2022, on our consideration of Central Alabama Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Central Alabama Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering Central Alabama Community College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rachel Laurie Riddle". The signature is written in a cursive, flowing style.

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 6, 2022

Management's Discussion and Analysis
(Required Supplementary Information)

CENTRAL ALABAMA COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2020-2021

Overview of the Financial Statements and Financial Analysis

Central Alabama Community College (CACC) is a public, open door, comprehensive community college dedicated to meeting the changing needs of citizens in the East Alabama service area. By offering a broad spectrum of programs, the College provides students with opportunities for educational, personal and professional advancement. A wide range of academic courses prepares students to transfer to four-year institutions. Technical and workforce development programs equip students to master and practice certain skills as they enter the job market. The College offers a quality education, outstanding faculty, and an affordable way for its citizens to pursue college studies in their own hometown.

CACC presents its financial statements for fiscal year 2020-2021. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: A) the Statement of Net Position; B) the Statement of Revenues, Expenses, and Changes in Net Position; and 3) the Statement of Cash Flows. This report of the College's financial statements provides an overview of its financial activities for the year and comparative amounts for the prior year.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflow, liabilities, deferred inflow and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point-in-time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of CACC. The Statement of Net Position presents end-of-year data concerning Assets (current and non-current), Deferred Outflows, Liabilities (current and non-current), Deferred Inflows, and Net Position (assets minus liabilities). The difference between current and non-current assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Position can determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions. Finally, the Statement of Net Position provides a picture of the Net Position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by the institution.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the institution. The next position category is restricted net position, which is divided into two categories, expendable and nonexpendable. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The corpus of nonexpendable restricted resources is only available for investment purposes. The final category is unrestricted net position which is available to the institution for any appropriate purpose of the institution.

The following schedule is prepared from the College's statement of net position which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Statement of Net Position

		2021-2020	2020-2019
<u>Assets:</u>			
Current Assets		\$ 11,279,097.24	\$ 9,750,994.35
Noncurrent Assets		19,971,151.49	20,690,659.25
Total Assets		31,250,248.73	30,441,653.60
Deferred Outflow		4,881,148.18	2,628,366.46
<u>Liabilities:</u>			
Current Liabilities		3,600,854.05	4,358,503.74
Noncurrent Liabilities		24,681,132.23	22,013,718.40
Total Liabilities		28,281,986.28	26,372,222.14
Deferred Inflow		5,148,097.00	5,930,335.00
<u>Net Position:</u>			
Net Investment in Capital Assets		14,056,994.04	14,417,599.17
Restricted - Nonexpendable		491,436.93	491,075.55
Restricted - Expendable		76,957.57	354,631.20
Unrestricted		(11,924,074.91)	(14,495,843.00)
Total Net Position		\$ 2,701,313.63	\$ 767,462.92

Assets

Current assets consist of cash and cash equivalents, short-term investments, accounts receivable, deposits with bond trustee and other current assets. Total current assets increased by \$1,528,102.89, largely due to a combination of an increase in accounts receivable (\$290,313.42), and cash and cash equivalents (\$1,501,377.92) and a decrease in deposits with trustees (\$286,712.93).

Noncurrent assets consist of capital assets and related accumulated depreciation. Noncurrent assets decreased by \$719,507.76, due to a combination of a \$338,138.14 decrease in equipment and furniture, and an offsetting \$448,141.23 increase in accumulated depreciation.

Deferred Outflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. The \$2,252,781.72 increase in deferred outflows is due primarily to a \$1,581,204.20 increase in other postemployment benefits (OPEB) and a \$742,060.29 increase in pensions.

Liabilities

Current liabilities consist of deposits, accounts payable, unearned revenue, the current portion of compensated absences, the current portion of long-term liabilities, and other current liabilities. Total current liabilities decreased by \$757,649.69, largely due to a combination of a \$360,000 decrease in bonds payable, as well as a \$368,934.80 decrease in unearned revenue.

Noncurrent liabilities consist of principal amounts due on bonds, unfunded pensions and OPEB, and the noncurrent portion of compensated absences. Noncurrent liabilities increased by \$2,667,413.83, largely due to an increase in net OPEB liability (\$1,576,637.00) and pensions (\$1,187,000.00).

Deferred Inflows of Resources

Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decreased by \$782,238, due to a decrease in the annual actuarial valuation of pension-related assets and liabilities and post-employment benefits.

Net Position

Net position represents the residual value of the College's assets after all liabilities have been deducted. Total net position increased by \$1,933,850.71.

Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution.

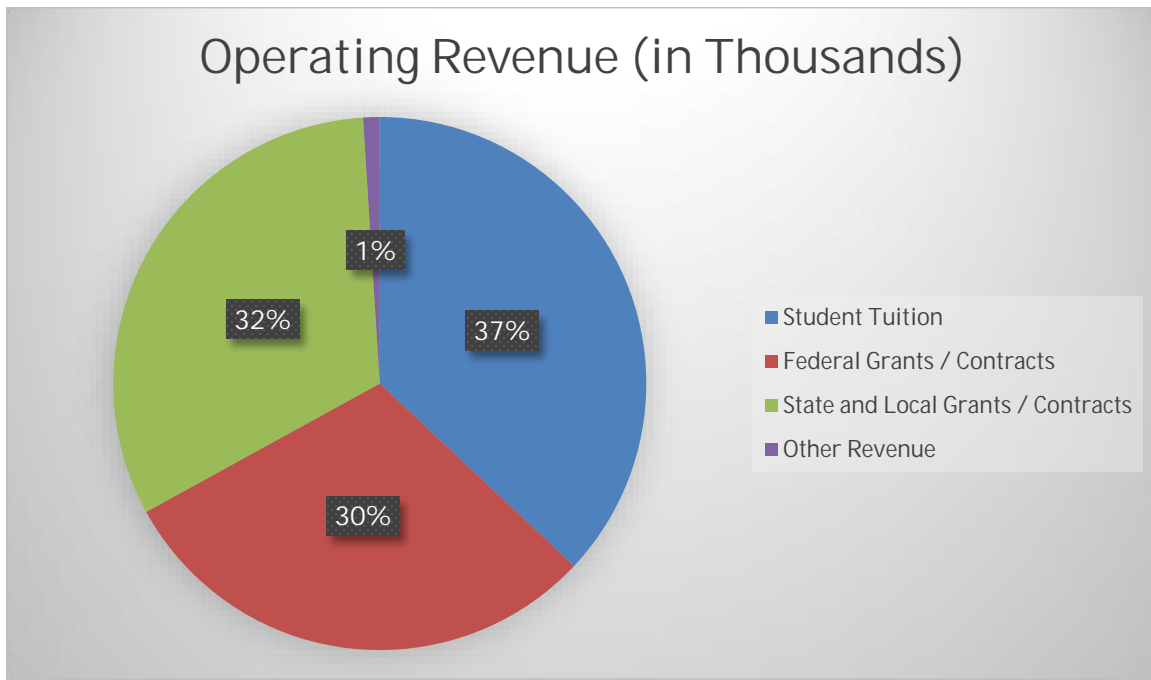
Operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

Statement of Revenues, Expenses and Changes in Net Position

	2020-2021	2019-2020
Operating Revenues	\$ 4,645,314.12	\$ 5,966,987.98
Operating Expenses	18,270,837.20	16,442,136.22
Operating Loss	(13,625,523.08)	(10,475,148.24)
Nonoperating Revenues and Expenses	15,563,579.20	12,403,549.19
Increase/(Decrease) in Net Position	1,938,056.12	1,928,400.95
Net Position:		
Beginning of Year	767,462.92	(1,136,242.58)
Restatements	(4,205.41)	(24,695.45)
End of Year	\$ 2,701,313.63	\$ 767,462.92

The Statement of Revenues, Expenses, and Changes in Net Position reflects a \$1,933,850.71 increase in Net Position. The College closely monitors revenues and systematically reviews operating expenses to ensure a balanced budget is maintained. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are presented on following page.

<u>Operating Revenue (In Thousands)</u>						
	2020-2021	%	2019-2020	%	Net \$ Change	
Student Tuition	\$ 1,719	37%	\$ 2,613	44%	\$ (894)	
Federal Grants/Contracts	1,397	30%	1,826	31%	(429)	
State and Local Grants/Contracts	1,487	32%	1,258	21%	229	
Other Revenue	42	1%	270	4%	(228)	
Total Operating Revenue	\$ 4,645		\$ 5,967		\$ (1,322)	



The above chart displays, in thousands of dollars, the operating revenues by type and their relationship with one another. Student tuition and fees represent 37% of operating revenue; followed by Federal Grants and Contracts at 30% and State and Local Grants and Contracts totaling 32%.

CACC's tuition and fee rate for fiscal year 2020-21 was \$164 per credit hour. CACC's tuition and fee rates are in line with the Alabama Community College System tuition and fee guidelines; the amount per credit hour is the maximum that can be charged. Total student tuition and fees decreased for the year by \$894,069.68.

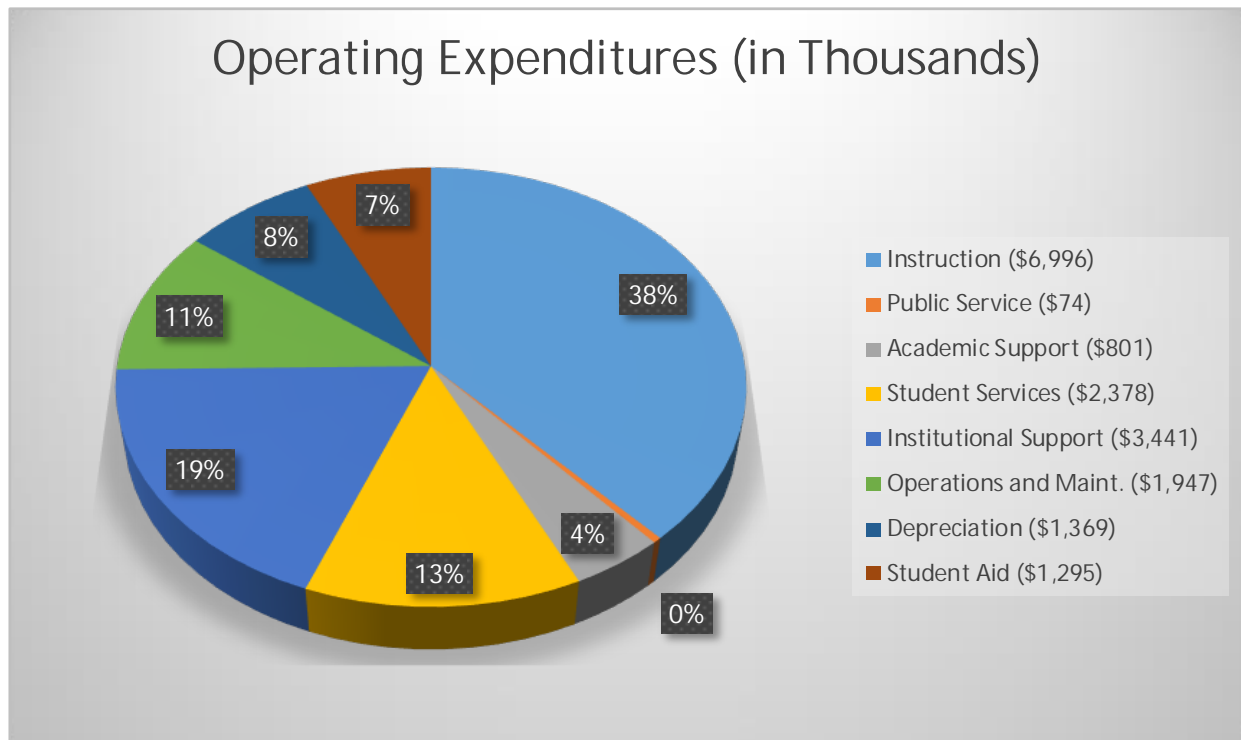
The majority of the operating federal grants and contracts of \$1,397,307.17 are comprised of: (1) \$920,768.10 for Student Support Services, Upward Bound, and Talent Search programs.

CACC received operating state and local contracts totaling \$1,486,820.65 which largely consisted of: (1) \$425,232.09 for Adult Education, (2) \$621,343.06 for Dual Enrollment, (3) \$120,000 for HAAS equipment, and (4) \$114,801.25 for Marine service tech equipment.

Net non-operating revenue and expenses totaled \$15,563,579.20. The major sources were \$9,799,654 from state appropriations and \$5,939,468.09 from Title IV grants and HEERF funds. The major expenses were interest debt payments of \$225,239.19.

The operating expenses by function are displayed in the following exhibit:

Operating Expenditures By Function (In Thousands)						
		2020-2021	%	2019-2020	%	Net \$ Change
Instruction (\$6,996)		\$ 6,966	38%	\$ 6,334	39%	\$ 632
Public Service (\$74)		74	0%	109	0%	(35)
Academic Support (\$801)		801	4%	970	6%	(169)
Student Services (\$2,378)		2,378	13%	2,580	16%	(202)
Institutional Support (\$3,441)		3,441	19%	2,296	14%	1,145
Operations and Maint. (\$1,947)		1,947	11%	1,584	10%	363
Depreciation (\$1,369)		1,369	8%	1,026	6%	343
Student Aid (\$1,295)		1,295	7%	1,543	9%	(248)
Total Operating Expenses		\$ 18,271		\$ 16,442		\$ 1,829



Total operating expenditures increased \$1,828,700.98 in fiscal year 2020-2021. The majority of this increase was attributed to a \$1,145,099.44 increase in Institutional Support, related primarily to HEERF expenditures, and a \$632,168.47 increase in Instruction expenses.

Forty-five percent of the College's \$18.3 million operating expenses consisted of expenditures for salaries and wages. Salaries and wages, combined with related benefits, comprise 57 percent of the College's total operating expenses. Twenty-eight percent of operating expenses consist of amounts paid to vendors to acquire supplies, goods and services. Student aid constitutes 7 percent of operating expenses. Depreciation expense makes up the remaining 8 percent of operating expenditures.

The College refinanced bonds in FY21. This resulted in a net reduction of principal in the amount of \$820,000. Interest expense paid during FY21 totaled \$236,962.50.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows which presents detailed information about the cash activity of the institution during the year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Statement of Cash Flows for the Year				
		2021		2020
Cash Provided (Used) by:				
Operating Activities		\$(13,286,846.57)		\$ (9,243,031.22)
Non-Capital Financing Activities		15,719,836.23		12,614,550.25
Capital and Related Financing Activities		(931,163.27)		(1,247,455.01)
Investing Activities		3,756.94		7,064.50
Net Change in Cash		1,505,583.33		2,131,128.52
Cash - Beginning of Year		7,223,889.22		5,117,456.15
Restatements Per Audit		(4,205.41)		(24,695.45)
Cash - End of Year		<u>\$ 8,725,267.14</u>		<u>\$ 7,223,889.22</u>

The primary cash receipts from operating activities consist of tuition and fees, grants and contracts. Cash outlays include payment of wages, benefits, supplies, utilities and scholarships

State appropriations and federal Title IV Pell grant payments are the primary sources of noncapital financing. This source of revenue is categorized as noncapital even though the College's budget depends on this to continue the current level of operations.

Capital and related financing activities include the purchases and construction of capital assets during the year, proceeds from the sale of bonds, and the College's annual bond payment consisting of principal and interest paid, along with deposits with trustees at year end.

Investing activities reflect purchases, sales, and interest income earned on investments. Investments identified in the cash flow statement as investing activities include short-term investments.

Economic Outlook

As a result of closely monitoring and maintaining an annual balanced budget, Central Alabama Community College's overall financial position is favorable compared to prior years. CACC expects state appropriations to remain stable and enrollment to increase as course offerings expand at our new campus site in Prattville.

The College will adhere to established Alabama Community College System guidelines which are based on sound financial judgments. The College will continue taking steps to ensure meeting the needs of students and the community while remaining financially conservative.

The College is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the fiscal year beyond those unknown variations having a global effect on virtually all types of business operations during the fiscal year 2020-21.

Lisa Sawyer, CPA
Dean of Financial Services

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Basic Financial Statements

Statement of Net Position
September 30, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 8,725,267.14
Short-Term Investments	144,699.43
Accounts Receivable, Net	2,343,507.23
Other Assets	63,345.64
Deposit with Bond Trustee	2,277.80
Total Current Assets	<u>11,279,097.24</u>

Noncurrent Assets

Capital Assets:

Land	1,699,274.00
Improvements Other Than Buildings	2,366,988.27
Buildings and Building Alterations	33,447,814.17
Equipment and Furniture	8,169,756.39
Library Holdings	689,317.35
Less: Accumulated Depreciation	<u>(26,401,998.69)</u>
Total Capital Assets, Net of Depreciation	<u>19,971,151.49</u>

Total Noncurrent Assets	<u>19,971,151.49</u>
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Total Assets	<u>31,250,248.73</u>
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Deferred Outflow of Resources

Pension	2,702,638.98
Other Postemployment Benefit (OPEB)	2,178,509.20
Total Deferred Outflow of Resources	<u>\$ 4,881,148.18</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LIABILITIES**Current Liabilities**

Accounts Payable and Accrued Liabilities	\$ 1,502,239.23
Deposit Liabilities	218,441.12
Unearned Revenue	1,551,086.52
Bonds Payable	270,000.00
Compensated Absences	53,321.86
Bond Surety Fee	5,765.32
Total Current Liabilities	<u>3,600,854.05</u>

Noncurrent Liabilities

Compensated Absences	479,896.78
Bonds Payable	5,644,157.45
Net Pension Liability	13,355,000.00
Other Postemployment Benefit (OPEB)	5,202,078.00
Total Noncurrent Liabilities	<u>24,681,132.23</u>

Total Liabilities	<u>28,281,986.28</u>
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Deferred Inflow of Resources

Pensions	916,000.00
Other Postemployment Benefit (OPEB)	4,232,097.00
Total Deferred Inflow of Resources	<u>5,148,097.00</u>

NET POSITION

Net Investment in Capital Assets	14,056,994.04
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	491,436.93
Expendable:	
Debt Service	(55,358.61)
Other	132,316.18
Unrestricted	<u>(11,924,074.91)</u>
Total Net Position	<u>\$ 2,701,313.63</u>

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Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2021

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowances of \$3,381,262.56)	\$ 1,719,263.79
Federal Grants and Contracts	1,397,307.17
State and Local Grants and Contracts	1,486,820.65
Other Operating Revenues	41,922.51
Total Operating Revenues	<u>4,645,314.12</u>

OPERATING EXPENSES

Instruction	6,965,834.60
Public Service	73,988.90
Academic Support	801,045.24
Student Services	2,377,647.73
Institutional Support	3,441,479.42
Operation and Maintenance	1,946,941.40
Scholarships and Financial Aid	1,294,613.41
Depreciation	1,369,286.50
Total Operating Expenses	<u>18,270,837.20</u>

Operating Income (Loss)	<u>(13,625,523.08)</u>
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NONOPERATING REVENUES (EXPENSES)

State Appropriations	9,799,654.00
Federal Grants	5,939,468.09
Investment Income	4,122.32
Gifts	107,257.02
Bond Surety Expense	(19,710.00)
Interest on Indebtedness	(225,239.19)
Other Nonoperating Revenues (Expenses)	(41,973.04)
Net Nonoperating Revenues	<u>15,563,579.20</u>

Changes in Net Position	1,938,056.12
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Total Net Position - Beginning of Year, as Restated (Note 12)	<u>763,257.51</u>
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Total Net Position - End of Year	<u>\$ 2,701,313.63</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows

For the Year Ended September 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 1,782,457.38
Grants and Contracts	1,872,443.76
Payments for Benefits	(2,594,170.03)
Payments to Suppliers	(4,559,122.00)
Payments to Employees	(7,859,875.74)
Payments to Utilities	(679,808.73)
Payments for Scholarships	(1,294,613.41)
Other Receipts (Payments)	41,636.79
Net Cash Provided (Used) by Operating Activities	<u>(13,291,051.98)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	9,799,654.00
Federal Grants	5,939,468.09
Direct Loan Receipts	1,073,578.00
Direct Loan Disbursements	(1,073,578.00)
Bond Surety Fee Expense	(19,285.86)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>15,719,836.23</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	(709,699.87)
Proceeds from Sale of Capital Assets	66,988.00
Proceeds from Issue of Capital Debt	5,485,000.00
Principal Paid on Capital Debt	(6,305,000.00)
Interest Paid on Capital Debt	(246,590.28)
Premium on Bond Issue	438,288.45
New Bond Issue Cost	(99,588.54)
Capital Grants and Gift	107,257.02
Deposit with Trustees	286,712.93
Other	45,469.02
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(931,163.27)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(365.38)
Interest on Investments	4,122.32
Net Cash Provided (Used) by Investing Activities	<u>3,756.94</u>

Net Increase (Decrease) in Cash and Cash Equivalents 1,501,377.92

Cash and Cash Equivalents - Beginning of Year	7,223,889.22
Cash and Cash Equivalents - End of Year	<u>\$ 8,725,267.14</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss) \$ (13,625,523.08)

Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Depreciation Expense	1,369,286.50
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables, Net	(294,518.83)
(Increase)/Decrease in Deferred Outflows	(2,323,264.49)
(Increase)/Decrease in Other Assets	5,129.43
Increase/(Decrease) in Accounts Payable	284,722.01
Increase/(Decrease) in Deferred Inflows	(782,238.00)
Increase/(Decrease) in Unearned Revenue	(368,934.80)
Increase/(Decrease) in Compensated Absences	(29,819.75)
Increase/(Decrease) in Deposit Liability	(289,527.97)
Increase/(Decrease) in Pension Liability	1,187,000.00
Increase/(Decrease) in OPEB Liability	1,576,637.00

Net Cash Provided (Used) by Operating Activities \$ (13,291,051.98)

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 1 – Summary of Significant Accounting Policies

The financial statements of Central Alabama Community College (the “College”) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the College are described below.

A. Reporting Entity

The College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, "The Financial Reporting Entity," states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the policy of the College to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted resources are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the College's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

Notes to the Financial Statements

For the Year Ended September 30, 2021

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the College to invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof or of the United States of America that meet specified criteria.

Investments are reported at fair value based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

2. Receivables

Accounts receivable relate to amounts due from students, federal grants, state grants, and third party tuition. The receivables are shown net of allowance for doubtful accounts.

3. Capital Assets

Capital assets, other than intangibles, with a unit cost of over \$5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price). Land, Construction in Progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

Notes to the Financial Statements

For the Year Ended September 30, 2021

The method of depreciation and useful lives of the capital assets are as follows:

Assets	Depreciation Method	Useful Lives
Buildings	Straight-Line	50 years
Building Alterations	Straight-Line	25 years
Improvements Other Than Buildings	Straight-Line	25 years
Equipment > \$25,000	Straight-Line	10 years
Equipment < \$25,000	Straight-Line	5 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks and Copyrights	Straight-Line	20 years

4. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the bonds.

6. Compensated Absences

No liability is recorded for sick leave. Substantially all employees of the College earn 12 days of sick leave each year with unlimited accumulation. Payment is not made to employees for unpaid sick leave at termination or retirement.

All non-instructional employees earn annual leave at a rate which varies from 12 to 24 days per year depending on duration of employment, with accumulation limited to 60 days. Instructional employees do not earn annual leave. Payment is made to employees for unused leave at termination or retirement.

7. Deferred Inflows of Resources

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

Notes to the Financial Statements

For the Year Ended September 30, 2021

8. Unearned Tuition and Fee Revenue

Tuition and fee revenues received for the Fall Term but related to the portion of the Term that occurs in the subsequent fiscal year have been disclosed as unearned revenues.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

10. Postemployment Benefits Other Than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

11. Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

Notes to the Financial Statements

For the Year Ended September 30, 2021

♦ **Restricted:**

- ✓ **Nonexpendable** – Net position subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.
- ✓ **Expendable** – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.

- ♦ **Unrestricted** – Net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

12. Federal Financial Assistance Programs

The College participates in various federal programs. Federal programs are audited in accordance with Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (*Uniform Guidance*).

13. Scholarship Allowances and Student Aid

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The College uses the case-by-case method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

14. Change in Accounting Estimates

Beginning October 1, 2020, the accounting estimated useful lives for Equipment and Building Alterations have been updated. The change in accounting estimates include the move from the composite method to straight-line depreciation for Equipment and Improvements Other Than Buildings. Additionally, there is an addition of a Building Alterations assets class.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Several factors lead to the accounting estimated changes. The composite method is an antiquated calculation standard developed before software had the capability of individually tracking capital assets. (The composite method will be retained for library books, as there is not a reasonable alternative method for these purchases and most of the colleges are purchasing library books at a non-material rate). The accounting software utilized by the Alabama Community College System calculates depreciation on a straight-line basis.

The establishment of a Building Alterations Asset Class is necessary to separately account for the building alterations, so that records of renovations and improvements can be identified and calculated by project, with a 25-year estimate of the life for qualifying projects.

The change in estimate resulted in an increase to depreciation and a decrease to Net Investment in Plant in the amount of \$258,991.38.

Note 2 – Deposits and Investments

A. Deposits

The College's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The Statement of Net Position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

Notes to the Financial Statements

For the Year Ended September 30, 2021

B. Investments

The College may invest its funds in a manner consistent with all applicable state and federal regulations. All monies shall be placed in interest-bearing accounts unless legally restricted by an external agency. Investments in debt securities are limited to the two highest quality credit rating as described by nationally recognized statistical rating organizations (NRSROs). Obligations of the U. S. government or obligations explicitly guaranteed by the U. S. government are excluded from this requirement. Permissible investments include: 1) U. S. Treasury bills, notes, bonds, and stripped Treasuries; 2) U. S. Agency notes, bonds, debentures, discount notes and certificates; 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs); 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities; 6) repurchase agreements; and 7) stocks and bonds which have been donated to the institution.

The College's portfolio shall consist primarily of bank CDs and interest-bearing accounts, U. S. Treasury securities, debentures of a U. S. Government Sponsored Entity (GSE) and securities backed by collateral issued by GSEs. In order to diversify the portfolio's exposure to concentration risk, the portfolio's maximum allocation to specific product sectors is as follows: 1) U. S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 percent of the institution's total investment portfolio. Maximum maturity of these securities shall be ten years. 2) U. S. Agency securities shall have limitations of 50 percent of the College's total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years. 3) CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years. 4) The aggregate total of all MBSs may not exceed 50 percent of the College's total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years. 5) The total portfolio of mortgage related securities shall not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years. 6) The College may enter into a repurchase agreement so long as: (a) the repurchase securities are legal investments under state law for colleges; (b) the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and (c) the College has entered into signed contracts with all approved counterparties. 7) The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

Notes to the Financial Statements

For the Year Ended September 30, 2021

The College shall not invest in stripped mortgage backed securities, residual interest in CMOs, mortgage servicing rights or commercial mortgage related securities.

Investment of debt proceeds and deposits with trustees is governed by the provisions of the debt agreement. Funds may be invested in any legally permissible document.

Endowment donations shall be invested in accordance with the procedures and policies developed by the College and approved by the Chancellor in accordance with the “Alabama Uniform Prudent Management of Institutional Funds Act”, **Code of Alabama 1975**, Sections 19-3C-1 and following.

The Statement of Net Position current investment classification consists of a non-negotiable certificate of deposit in the amount of \$144,699.43. Certificates of deposit are not subject to risk categorization because they are considered deposits for the purpose of this note.

As of September 30, 2021, the College had \$2,277.80 in accounts administered by its bond trustee that are subject to risk categorization. In accordance with the covenants of the College’s Revenue Bonds Series 2021, the trustee is permitted to invest these funds in direct obligations of the United States or securities the payment of which is unconditionally guaranteed by the United States.

The entire balance on deposit with the trustee is invested in the Fidelity Institutional Money Market Treasury Only, Class III Fund. The Fund is consistently rated AAAM by Standard and Poor’s and AAA-mf by Moody’s.

To the extent available, the College’s investments are recorded at fair value as of September 30, 2021. GASB Statement Number 72 – ***Fair Value Measurement and Application***, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

Notes to the Financial Statements

For the Year Ended September 30, 2021

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 – Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset either directly or indirectly.

Level 3 – Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

Investments by Fair Value Level	At 9/30/2021	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<u>Debt Securities</u>				
U. S. Government Guaranteed	\$	\$	\$	\$
Total Debt Securities				
Certificates of Deposit	144,699.43			
Money Market (*)	2,277.80			
Total	\$146,977.23	\$	\$	\$
(*) All instruments purchased are deemed money market instruments as defined in rule 2a7 and priced at amortized cost.				

Note 3 – Receivables

Receivables are reported net of uncollectible amounts and are summarized as follows:

<u>Accounts Receivable:</u>	
Federal	\$1,345,981.25
State	579,123.01
Student	633,109.28
Third Party	67,322.31
Other	11,622.06
Less: Allowance for Doubtful Accounts	(293,650.68)
Total Accounts Receivable, Net	<u>\$2,343,507.23</u>

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Reclassification	Ending Balance
Land	\$ 1,699,274.00	\$	\$	\$	\$ 1,699,274.00
Buildings	33,447,814.17			(1,904,767.54)	31,543,046.63
Building Alterations				1,904,767.54	1,904,767.54
Improvements Other Than Buildings	2,366,988.27				2,366,988.27
Furniture and Equipment > \$25,000	4,234,157.51	295,748.44	538,682.15		3,991,223.80
Furniture and Equipment < \$25,000	4,273,737.02	347,179.82	442,384.25		4,178,532.59
Library Books and Audiovisuals	622,545.74	66,771.61			689,317.35
Total	46,644,516.71	709,699.87	981,066.40		46,373,150.18
Less: Accumulated Depreciation					
Buildings	16,612,740.10	251,564.35			16,864,304.45
Building Alterations		559,327.06			559,327.06
Improvements Other Than Buildings	1,664,745.15	76,856.88			1,741,602.03
Furniture and Equipment > \$25,000	3,426,892.58	180,768.38	454,875.80		3,152,785.16
Furniture and Equipment < \$25,000	3,771,686.73	283,874.64	466,269.48		3,589,291.89
Library Books and Audiovisuals	477,792.90	16,895.20			494,688.10
Total Accumulated Depreciation	25,953,857.46	1,369,286.51	921,145.28		26,401,998.69
Capital Assets, Net	\$20,690,659.25	\$ (659,586.64)	\$ 59,921.12	\$	\$19,971,151.49

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2021

B. Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, Tier 1 certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Participating employers' contractually required contribution rate for the year ended September 30, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were \$891,638.98 for the year ended September 30, 2021.

D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2021, the College reported a liability of \$13,355,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2019. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2020, the College's proportion was 0.107964%, which was a decrease of 0.002087% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the College recognized pension expense of \$1,058,342.34. At September 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 661,000.00	\$232,000.00
Changes of assumptions	139,000.00	
Net difference between projected and actual earnings on pension plan investments	992,000.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,000.00	684,000.00
Employer contributions subsequent to the measurement date	891,638.98	
Total	<u>\$2,702,638.98</u>	<u>\$916,000.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2021

The \$891,638.98 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ending:	
September 30, 2022	\$ 52,000.00
2023	\$266,000.00
2024	\$380,000.00
2025	\$197,000.00
2026	\$ 0.00
Thereafter	\$ 0.00

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25-5.00%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the September 30, 2019, valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

Mortality rates for TRS were based on the sex distinct RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

Notes to the Financial Statements

For the Year Ended September 30, 2021

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	<u>100.00%</u>	

(*) Includes assumed rate of inflation of 2.50%.

F. Discount Rate

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements

For the Year Ended September 30, 2021

G. Sensitivity of the College's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate

The following table presents the College's proportionate share of the collective net pension liability calculated using the discount rate of 7.70%, as well as what the College's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
College's proportionate share of collective net pension liability	\$17,818	\$13,355	\$9,578
(Dollar Amounts in Thousands)			

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2020. The auditor's report dated April 23, 2021, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2020, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Alabama Retired Education Employees' Health Care Trust (the "Trust") is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (the "Board") to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "State") and is included in the State's Annual Comprehensive Financial Report.

Notes to the Financial Statements

For the Year Ended September 30, 2021

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975*, Section 16-25A-4, (Act Number 83-455, Acts of Alabama) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975*, Section 16-25A-4, provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

B. Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

Notes to the Financial Statements

For the Year Ended September 30, 2021

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

C. Contributions

The *Code of Alabama 1975*, Section 16-25A-8, and the *Code of Alabama 1975*, Section 16-25A-8.1, provide the PEEHIB with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIB is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

Notes to the Financial Statements

For the Year Ended September 30, 2021

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2021, the College reported a liability of \$5,202,078 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The College's proportion of the collective net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2020, the College's proportion was 0.080157%, which was a decrease of 0.015938% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the College recognized OPEB expense of \$(390,832.00) with no special funding situations. At September 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 131,921	\$ 1,870,272
Changes of assumptions	1,817,045	965,978
Net difference between projected and actual earnings on OPEB plan investments		219
Changes in proportion and differences between employer contributions and proportionate share of contributions	109,145	1,395,628
Employer contributions subsequent to the measurement date	120,398	
Total	<u>\$2,178,509</u>	<u>\$4,232,097</u>

Notes to the Financial Statements

For the Year Ended September 30, 2021

The \$120,398 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending:	
September 30, 2022	\$(659,209)
2023	\$(651,284)
2024	\$(491,617)
2025	\$(465,191)
2026	\$ 24,566
Thereafter	\$ 68,749

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	2.25%
Municipal Bond Index Rate at the Prior Measurement Date	3.00%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2040
Single Equivalent Interest Rate at the Measurement Date	3.05%
Single Equivalent Interest Rate at the Prior Measurement Date	5.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2027
Medicare Eligible	4.75% in 2024
(1) Includes 3.00% wage inflation.	
(2) Compounded annually, net of investment expense, and includes inflation.	
(**) Initial Medicare claims are set based on scheduled increases through plan year 2022.	

Notes to the Financial Statements

For the Year Ended September 30, 2021

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the actuarial valuation as of September 30, 2019.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

Notes to the Financial Statements

For the Year Ended September 30, 2021

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	

(*) Geometric mean, includes 2.5% inflation.

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2020, was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020, and it is assumed that the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

Notes to the Financial Statements

For the Year Ended September 30, 2021

G. Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75% Decreasing to 3.75% for Pre-Medicare and Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare and Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre-Medicare and Known Decreasing to 5.75% for Medicare Eligible)
College's proportionate share of the collective net OPEB liability	\$4,112,259	\$5,202,078	\$6,620,651

H. Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 3.05%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
College's proportionate share of the collective net OPEB liability	\$6,380,618	\$5,202,078	\$4,266,061

I. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 7 – Significant Commitments

As of September 30, 2021, Central Alabama Community College had been awarded approximately \$5,401,988.34 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at September 30, 2021, for goods and services received prior to the end of the fiscal year.

Salaries and Benefits	\$ 596,837.17
Vendor Payables	847,765.65
Interest Payable	57,636.41
Total	\$1,502,239.23

Note 9 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds	\$6,305,000.00	\$5,485,000.00	\$6,305,000.00	\$5,485,000.00	\$270,000.00
Bond Premium	38,542.85	438,288.45	47,673.85	429,157.45	21,914.42
Total Bonds Payable	6,343,542.85	5,923,288.45	6,352,673.85	5,914,157.45	291,914.42
Other Liabilities:					
Compensated Absences	563,038.39		29,819.75	533,218.64	53,321.86
Total Long-Term Liabilities	\$6,906,581.24	\$5,923,288.45	\$6,382,493.60	\$6,447,376.09	\$345,236.28

The 2021 Series Revenue Bonds were issued to advance refund the 2005 Series Revenue Bonds and 2012 Revenue Bonds for the benefit of the College.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Revenue Bonds		Totals
	Principal	Interest	
2021-2022	\$ 270,000.00	\$ 167,085.87	\$ 437,085.87
2022-2023	280,000.00	153,162.50	433,162.50
2023-2024	290,000.00	144,762.50	434,762.50
2024-2025	300,000.00	136,062.50	436,062.50
2025-2026	210,000.00	127,062.50	337,062.50
2026-2027	215,000.00	120,762.50	335,762.50
2027-2028	220,000.00	114,312.50	334,312.50
2028-2029	230,000.00	105,512.50	335,512.50
2029-2030	240,000.00	96,312.50	336,312.50
2030-2031	250,000.00	86,712.50	336,712.50
2031-2032	260,000.00	76,712.50	336,712.50
2032-2033	270,000.00	66,312.50	336,312.50
2033-2034	280,000.00	55,512.50	335,512.50
2034-2035	290,000.00	47,112.50	337,112.50
2035-2036	300,000.00	38,412.50	338,412.50
2036-2037	305,000.00	32,412.50	337,412.50
2037-2038	310,000.00	26,312.50	336,312.50
2038-2039	315,000.00	20,112.50	335,112.50
2039-2040	320,000.00	13,812.50	333,812.50
2040-2041	330,000.00	7,012.50	337,012.50
Totals	\$5,485,000.00	\$1,635,473.37	\$7,120,473.37

Bond Discounts and Premiums

The College has bond discounts and premiums in connection with the issuance of its Tuition Revenue Bonds. The bond discounts and premiums are being amortized using the straight-line method over the life of the applicable bonds.

	Premium
Total Premium	\$438,288.45
Amount Amortized Prior Years	0.00
Beginning Balance	438,288.45
Current Amount Amortized	9,131.00
Balance of Premium	\$429,157.45

Notes to the Financial Statements

For the Year Ended September 30, 2021

Pledged Revenues

Central Alabama Community College pledged student tuition and fees to repay \$5,485,000.00 for the Revenue Refunding Bonds Series 2021, issued in May 2021. The funds were used to refund the Series 2012 and Series 2005 Revenue Bonds. As of September 30, 2021, future revenues of \$7,120,473.37 are pledged to repay outstanding principal and interest. During fiscal year 2021, \$4,708,843.53 in pledged tuition revenues were collected with \$0 or 0% of the pledged revenue, being used to pay principal and interest. These bonds are scheduled to mature in fiscal year 2041.

Central Alabama Community College pledged student tuition and fees to repay \$6,735,000.00 for the Revenue Bonds Series 2012, issued in January 2012. The funds were used to refund the Series 2003 Revenue Bonds, finance the costs of new capital improvements at the College's Alexander City Campus, more specifically the new library and other campus improvements. As of September 30, 2021, future revenues of \$0 are pledged to repay outstanding principal and interest. During fiscal year 2021, \$3,990,807.82 in pledged tuition revenues were collected with \$216,832.22 or 5% of the pledged revenue, being used to pay principal and interest. These bonds were refinanced during fiscal year 2021.

Central Alabama Community College pledged student tuition and fees to repay \$2,075,000.00 for the Revenue Bonds Series 2005, issued in January 2005. The funds were used to provide funding to finance the acquisition, construction, and equipping of an instructional site located on the College's campus in Talladega, Alabama and pay the expenses of issuing the bonds. As of September 30, 2021, future revenues of \$0 are pledged to repay outstanding principal and interest. During fiscal year 2021, \$3,990,807.82 in pledged tuition revenues were collected with \$29,758.06 or 0.7% of the pledged revenue, being used to pay principal and interest. These bonds were refinanced during fiscal year 2021.

Defeased Debt

On May 18, 2021, the College issued revenue refunding bonds with coupon rates of 2.0%-4.0% and a yield rate of 1.8837% to refund the Series 2005 Bonds with coupon rates of 2.1%-5.0% and the Series 2012 Bonds with coupon rates of 3.0%-4.25%. The Series 2005 bonds, which were outstanding in the amount of \$562,808, were called and paid at 100% of the principal amount plus accrued interest on June 17, 2021. The Series 2012 bonds, which were outstanding in the amount of \$5,230,132, were called and paid at 100% of the principal amount plus accrued interest on June 17, 2021. As a result, the revenue bonds were considered to be defeased and the liability for these bonds has been removed.

The current refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt. Due to the refunding, the College decreased its total debt service requirements by \$174,026.63 which resulted in an economic gain of \$572,828.33.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 10 – Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the College president and business officer as well as on all other college personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The College contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years.

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the College.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 11 – Subsequent Events

On November 10, 2021, the Alabama Community College System Board of Trustees authorized the Alabama Community College System on behalf of the College to purchase real property in Prattville, Alabama for \$12,921,054.00.

On April 13, 2022, the Alabama Community College System Board of Trustees authorized the Chancellor of the Alabama Community College System to sell property known as the Heritage Trail located in Sylacauga, Alabama, for \$1,776,000.00. The property consists of 250 acres of rustic property including a conference center and an adjacent Pioneer Village.

Note 12 – Net Position Restatement

Prior period adjustments have been made as outlined below:

Net Position September 30, 2020	\$767,462.92
To Correct ARC Grant Income/Expense	<u>(4,205.41)</u>
Net Position October 1, 2020, as Restated	<u>\$763,257.51</u>

Required Supplementary Information

Schedule of the College's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
College's proportion of the collective net pension liability	0.107964%	0.110051%	0.113569%	0.119534%	0.118711%	0.123786%	0.120400%
College's proportionate share of the collective net pension liability \$	13,355 \$	12,168 \$	11,292 \$	11,748 \$	12,852 \$	12,955 \$	10,938
College's covered payroll during the measurement period (*) \$	5,826 \$	7,485 \$	7,057 \$	7,978 \$	6,992 \$	7,262 \$	7,659
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	229.23%	162.57%	160.01%	147.25%	183.81%	178.39%	142.81%
Plan fiduciary net position as a percentage of the total collective pension liability	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(*) Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2021, the measurement period for covered payroll is October 1, 2019 through September 30, 2020.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the College's Contributions - Pension
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 891	\$ 932	\$ 957	\$ 912	\$ 939	\$ 892	\$ 887
Contributions in relation to the contractually required contribution	\$ 891	\$ 932	\$ 957	\$ 912	\$ 939	\$ 892	\$ 887
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
College's covered payroll	\$ 7,351	\$ 5,826	\$ 7,485	\$ 7,057	\$ 7,978	\$ 6,992	\$ 7,262
Contributions as a percentage of covered payroll	12.12%	16.00%	12.79%	12.92%	11.77%	12.76%	12.21%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2021, the covered payroll is for the reporting fiscal year October 1, 2020 through September 30, 2021.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the College's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the College's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost, Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018
College's proportion of the collective net OPEB liability	0.080157%	0.096095%	0.094197%	0.097408%
College's proportionate share of the collective net OPEB liability (asset)	\$ 5,202	\$ 3,625	\$ 7,742	\$ 7,235
College's covered-employee payroll during the measurement period (*)	\$ 7,441	\$ 7,457	\$ 7,590	\$ 8,548
College's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	69.91%	48.61%	102.00%	84.64%
Plan fiduciary net position as a percentage of the total collective OPEB liability	19.80%	28.14%	14.81%	15.37%

(*) Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered-employee payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2021 year is October 1, 2019 through September 30, 2020.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the College's Contributions - Other Postemployment Benefits (OPEB)
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018
Contractually required contribution	\$ 116	\$ 161	\$ 272	\$ 233
Contributions in relation to the contractually required contribution	\$ 116	\$ 161	\$ 272	\$ 233
Contribution deficiency (excess)	\$	\$	\$	\$
College's covered-employee payroll	\$ 7,284	\$ 7,441	\$ 7,457	\$ 7,590
Contributions as a percentage of covered-employee payroll	1.59%	2.16%	3.65%	3.07%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Notes to Required Supplementary Information for
Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2021***

Changes in Actuarial Assumptions

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

Recent Plan Changes

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

***Notes to Required Supplementary Information for
Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2021***

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2020, is determined based on the actuarial valuation as of September 30, 2017. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible (*)	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

(*) Initial Medicare claims are set based on scheduled increases through plan year 2019.

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Identifying Number	Pass-Through to Subrecipient	Total Federal Expenditures
<u>Student Financial Assistance Cluster</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
Federal Supplemental Educational Opportunity Grants	84.007			\$ 83,145.00
Federal Work-Study Program	84.033			13,788.20
Federal Pell Grant Program	84.063			2,256,499.03
Federal Direct Student Loans	84.268			1,073,578.00
Total Student Financial Assistance Cluster				<u>3,427,010.23</u>
<u>TRIO Cluster</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
TRIO - Student Support Services	84.042			107,748.76
TRIO - Talent Search	84.044			484,586.41
TRIO - Upward Bound	84.047			328,432.93
Total TRIO Cluster				<u>920,768.10</u>
<u>WIOA Cluster</u>				
<u>U. S. Department of Labor</u>				
<u>Passed Through the Alabama Department of Commerce</u>				
WIOA Adult Program	17.258	N.A.		83,579.54
WIOA Youth Activities	17.259	N.A.		4,195.00
WIOA Dislocated Worker Formula Grants	17.278	N.A.		130,011.97
<u>Passed Through Jefferson County Commission</u>				
WIOA Adult Program	17.258	N.A.		3,756.00
Total WIOA Adult Program				<u>87,335.54</u>
Total WIOA Cluster				<u>\$ 221,542.51</u>

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Identifying Number	Pass-Through to Subrecipient	Total Federal Expenditures
<u>OTHER FEDERAL AWARDS</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
COVID-19 HEERF Student Aid Portion	84.425E			\$ 958,033.70
COVID-19 HEERF Institutional Aid Portion	84.425F			2,053,520.99
COVID-19 HEERF Strengthening Institutions Program (SIP)	84.425M			159,461.00
Total Higher Education Emergency Relief Fund (HEERF)				<u>3,171,015.69</u>
<u>Passed Through Alabama State Department of Education</u>				
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	N.A.		370.23
Career and Technical Education - Basic Grants to States	84.048	V048A200001		78,022.99
<u>Passed Through Alabama Community College System</u>				
Adult Education - Basic Grants to States	84.002	0921AE087		371,606.67
<u>U. S. Department of Treasury</u>				
<u>Passed Through State of Alabama Department of Finance</u>				
COVID-19 Coronavirus Relief Fund	21.019	20GEERFHLTHCENT01		8,094.01
<u>Passed Through Alabama Community College System</u>				
COVID-19 Coronavirus Relief Fund	21.019	20GEERFCENT01		421,304.16
Total Coronavirus Relief Fund				<u>429,398.17</u>
<u>U. S. General Services Administration</u>				
<u>Passed Through Alabama Department of Economic and Community Affairs</u>				
Donation of Federal Surplus Personal Property (N)	39.003	N.A.		2,961.75
Total Expenditures of Federal Awards				<u>\$ 8,622,696.34</u>

(N) = Non-Cash Assistance

N.A. = Not Available/Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2021***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Central Alabama Community College, under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Central Alabama Community College, it is not intended to and does not present the financial position, changes in net position or cash flows of Central Alabama Community College.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

Central Alabama Community College has elected not to use the 10-percent de minimis indirect cost rate allowed under the *Uniform Guidance*.

Additional Information

College Officials
October 1, 2020 through September 30, 2021

Officials	Position
Jimmy Baker	Chancellor Alabama Community College System
Jeff Lynn (Beginning March 1, 2021)	President
Jeff Lynn (Until March 1, 2021)	Interim President
Lisa Sawyer	Dean of Financial Services

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Jeff Lynn, President – Central Alabama Community College
Alexander City, Alabama 35010

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, the financial statements of Central Alabama Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2021, and related notes to the financial statements, which collectively comprise Central Alabama Community College's basic financial statements and have issued our report thereon dated June 6, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Alabama Community College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Alabama Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Alabama Community College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

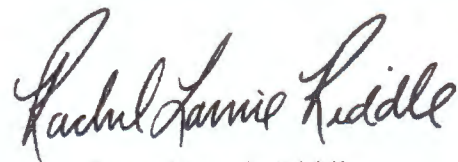
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Alabama Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 6, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Jeff Lynn, President – Central Alabama Community College
Alexander City, Alabama 35010

Report on Compliance for Each Major Federal Program

We have audited Central Alabama Community College's, a component unit of the State of Alabama, compliance with the types of compliance requirements described in the **OMB Compliance Supplement** that could have a direct and material effect on each of Central Alabama Community College's major federal programs for the year ended September 30, 2021. Central Alabama Community College's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with each of Central Alabama Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. **Code of Federal Regulations** Part 200, **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Alabama Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Central Alabama Community College's compliance.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Opinion on Each Major Federal Program

In our opinion, Central Alabama Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

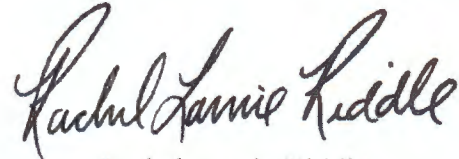
Management of Central Alabama Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central Alabama Community College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Alabama Community College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 6, 2022

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Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2021

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with

2 CFR 200.516(a) of the *Uniform Guidance*?

_____ Yes X No

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2021

Section I – Summary of Examiner's Results

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
	<u>Student Financial Assistance Cluster</u>
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
	<u>TRIO Cluster</u>
84.042	Student Support Service
84.044	Talent Search
84.047	Upward Bound
	<u>COVID-19 Higher Education Emergency Relief Fund (HEERF)</u>
84.425E	COVID-19 HEERF Student Aid Portion
84.425F	COVID-19 HEERF Institutional Portion
84.425M	COVID-19 HEERF Strengthening Institutions Program (SIP)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Summary Schedule of Prior Audit Findings



CENTRAL ALABAMA COMMUNITY COLLEGE

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Summary Schedule of Prior Audit Findings ***For the Year Ended September 30, 2021***

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, Central Alabama Community College has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2021.

**Finding
Ref.
No.**

Status of Prior Audit Finding

2020-002

Finding

GASB Statement No. 33 states, "Providers should recognize liabilities (or a decrease in assets) and expenses from government-mandated or voluntary nonexchange transactions, and recipients should recognize receivables (or a decrease in liabilities) and revenues (net of estimated uncollectible amounts), when all applicable eligibility requirements, including time requirements are met. Resources transmitted before the eligibility requirements are met should be reported as advances by the provider and as deferred revenues by recipients..."

GASB Statement No. 65 states, "Providers of resources in government-mandated or voluntary nonexchange transactions frequently establish eligibility requirements. Resources transmitted before the eligibility requirements are met (excluding time requirements) should be reported as assets by the provider and as liabilities by the recipient. Resources received before time requirements are met, but after all other eligibility requirements have been met, should be reported as a deferred outflow of resources by the provider and a deferred inflow of resources by the recipient."

In addition, GASB Statement No. 65 limited the term deferred to items reported as deferred outflows of resources or deferred inflows of resources. For this reason, the term deferred revenue in Statement No. 33 is now referred to as unearned revenue.

During the year, the College was awarded grant funds totaling \$671,403 from the Education Stabilization Fund. The grant does not have time requirements that need to be met. However, the grant does have other eligibility requirements including allowable costs. The College had no expenses related to the grant during the fiscal year and had not drawn down any funds from the grantor.

Due to a misinterpretation of instructions from the Alabama Community College System Office, the College recorded a receivable (asset) and an unearned revenue (liability) for the total amount awarded. Due to this error, the College's financial statements overstated receivables and unearned revenue by the same amount. The error was corrected on the final audited financial statements.

ALEXANDER CITY CAMPUS
1675 CHEROKEE ROAD
ALEXANDER CITY, AL 35010
(256) 234-6346

CHILDERSBURG CAMPUS
34091 U.S. HWY 280
CHILDERSBURG, AL 35044
(256) 378-5576

PRATT'S MILL CENTER
2074 FAIRVIEW AVENUE
PRATTVILLE, AL 36066
(334) 380-9600

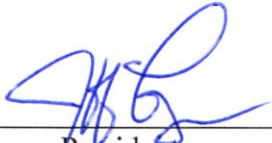
TALLADEGA CENTER
1009 SOUTH STREET EAST
TALLADEGA, AL 35160
(256) 480-2068

Recommendation

The College should follow the recognition criteria for grant funds that is described in GASB Statement No. 33 and Statement No. 65.

Response:

Corrective action was taken.

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Jeff Lynn, President

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Auditee Response



CENTRAL ALABAMA COMMUNITY COLLEGE

1675 CHEROKEE ROAD • ALEXANDER CITY, AL 35010 • 256-215-4301

OFFICE OF THE PRESIDENT

Auditee Response

For the Year Ended September 30, 2021

Central Alabama Community College has prepared and hereby submits the following Auditee Response for the finding (other matter) which is included in the Schedule of State Compliance and Other Findings for the year ended September 30, 2021.

Schedule of State Compliance and Other Findings

Reference Number: 2021-001

Finding:

The Alabama Community College System Board's Policy **301.02: Accounting Procedures** states, "The Fiscal Procedures Manual for the Alabama Community College System shall be used by all institutions."

The Fiscal Procedures Manual, Capital Assets procedures section requires inventory records of capital assets to include the following components:

1. Complete Description
2. Manufacturer's Serial Number, if Applicable
3. Acquisition Cost
4. Date of Purchase
5. Location
6. Institution Property Control Number

The *Fiscal Procedures Manual* requires the College's property manager to immediately inform the chief financial officer and to contact law enforcement to file a report when college equipment is lost, stolen, or destroyed. Stolen equipment may be removed from inventory after a report has been filed with law enforcement. Any equipment that is removed from inventory must be supported by adequate documentation.

Following inventory policies and procedures helps the College maintain accountability for property and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.

During the fiscal year, the College removed 44 pieces of equipment from its inventory, with a total historical cost of \$981,066.40.

A sample of eight assets were selected for testing to ensure adequate documentation of the items removed. The historical cost of the eight assets totaled \$228,859.11 and were fully depreciated. Audit tests revealed:

ALEXANDER CITY CAMPUS
1675 CHEROKEE ROAD
ALEXANDER CITY, AL 35010
(256) 234-6346

CHILDERSBURG CAMPUS
34091 U.S. Hwy 280
CHILDERSBURG, AL 35044
(256) 378-5576

PRATT'S MILL CENTER
2074 FAIRVIEW AVENUE
PRATTVILLE, AL 36066
(334) 380-9600

TALLADEGA CENTER
1009 SOUTH STREET EAST
TALLADEGA, AL 35160
(256) 480-2068

- One asset was noted as lost, but a police report was not filed.
- One asset had documentation with a hand-written note stating that the asset was loaded onto a trailer and taken to surplus. However, no receipt was included in the documentation to acknowledge the asset changed ownership.
- Six assets were removed from the general ledger but were still on campus. These items were old and deemed as not in use but had only been transferred from one area of the College to another awaiting disposal.

When assets are removed from the general ledger and inventory records, accountability for the assets is no longer in place, and it increases the possibility that assets can be taken without permission. Therefore, the College should keep assets on the general ledger and in inventory records if the asset is still in the custody of the College, so that the assets can be safeguarded by following policies and procedures.

Recommendation:

In order to ensure that accountability is maintained for property, the College should comply with the Alabama Community College System's *Fiscal Procedures Manual* and should keep assets on the general ledger and in the inventory records until the disposal is adequately documented.

Views of Responsible Officials of the Auditee

Management agrees with this finding and will take corrective actions.

Corrective Action Plan

Dean of Financial Services will ensure compliance with the Alabama Community College System's *Fiscal Procedures Manual* by requiring and maintaining proper documentation upon disposal of capital assets and removal from general ledger and inventory records.

Anticipated Completion Date:

June 1, 2022

Contact Person(s):

Lisa Sawyer, Dean of Financial Services

 6/1/2022